

# Goldmark Minerals Ltd.

AR71

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Edmonton, Alta. T6G 2R6



Annual Report 1987

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C O R P O R A T E   I N F O R M A T I O N

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Board of Directors:

D. Harvey Bickell  
Gabriola, B.C.

Robert W. Lamond  
Calgary, Alberta

Georg R. Nikel  
Calgary, Alberta

Glen A. Phillips  
Calgary, Alberta

Charles A. Teare  
Calgary, Alberta

Legal Counsel:

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32nd Floor, Esso Plaza, East Tower  
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Calgary, Alberta  
T2P 3L8

Auditors:

Thorne Ernst & Whinney  
Bow Valley Square 2  
205 - 5th Avenue S.W.  
Calgary, Alberta  
T2P 4B9

Officers:

D. Harvey Bickell - President  
and Chief Executive Officer

Allan R. Twa - Corporate  
Secretary

Charles A. Teare - Assistant  
Treasurer

Registrar and Transfer Agent:

The Canada Trust Company  
505 - 3rd Street S.W.  
Calgary, Alberta  
T2P 3E6

The Canada Trust Company  
Vancouver, British Columbia

Cover Illustration:

The cover illustration, showing  
medieval mining for alluvial metals,  
is taken from Book VIII of Georgius  
Agricola's *De Re Metallica*, first  
published in 1556, Letters identify  
tools as employed at that time.

Head Office:

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Dawson City, Yukon  
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Wholly-Owned Subsidiary

372571 Alberta Ltd.

## GOLDMARK MINERALS LTD.

### REPORT TO THE SHAREHOLDERS

The report for the year ended December 31, 1987 is presented on behalf of the Board of Directors of Goldmark Minerals Ltd.

Through joint ventures, flow through share agreements and from income derived by contract drilling for other firms, the Company was able to finance several significant exploration programs during 1987. Mining was done on Goldmark's claim holdings on Thistle Creek, Yukon sufficient to maintain those properties in good standing to the end of 1990 and at a small profit to the Company.

### FINANCIAL

For the year ended December 31, 1987, the Company experienced a small loss of \$26,721 or less than \$0.01 per share, compared with a loss of \$12,503 or \$0.00 per share in 1986.

While revenues for 1987 increased to \$45,733 from \$40,452 in 1986, expenses increased to \$72,454 from \$55,840 in the prior year. Although the Company's cash position at the end of 1987 had been reduced to \$16,732 from \$51,318 at the end of 1986, the latter figure does not include the proceeds from the sale of flow through shares of \$122,000 received after December 31, 1987.

### MINING AND EXPLORATION ACTIVITIES

A limited scale sluicing operation on the Company's Thistle Creek properties recovered 167 ounces of raw gold on behalf of Goldmark and its joint venture partners. Goldmark's share of this revenue and management fees associated with this property more than offset the Company's share of extensive equipment repairs and mining costs. This work allowed the renewal of the 53 joint ventures and 109 wholly owned claims for an additional

three years. During this renewal period, the Company plans to drill - evaluate the more than 100 unmined claims in order to develop a long-term mining plan for this major property.

Throughout the past year, largely through the subsequent issue of 455,224 common shares in exchange for \$122,000 of Canadian exploration expenses assigned to CMP 1987 Resource Partnership & Company, Limited II, Goldmark was able to fund extensive exploration programs on several potential placer gold properties. While these core drilling and bulldozer trenching operations have, to date, not resulted in any major gold discoveries, one very large, previously untested bench gravel deposit has been located. Goldmark's management has recommended that a small amount of additional testing be conducted on this property during 1988 to determine its gold content. Additional funds will also be sought to explore other sites where large, untested bench gravel deposits are indicated.

The Board extends its sincere gratitude to former office and accounts manager Carol Bickell who gave generously of her time and skills over the past five years.

Presented on behalf of the Board of Directors

*D. Harvey Bickell*

D. Harvey Bickell  
President

May 18, 1988

Thorne Ernst & Whitney

GOLDMARK MINERALS LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1987

1988-004  
200 Bay Street  
30-32 Avenue Road  
Toronto, Ontario, Canada  
N4Y 2B9

Transcribed and scanned  
October 11, 2007  
from microfilm

CONTENTS

	<u>Page</u>
Auditors' Report	1
Consolidated Balance Sheet	2
Consolidated Statement of Operations and Deficit	3
Consolidated Statement of Changes in Financial Position	4
Notes to Consolidated Financial Statements	5

In our opinion, these consolidated financial statements present fairly the financial position of the company at December 31, 1987 in terms of its shareholders' and the changes in equity in respect of the year then ended in accordance with generally accepted accounting principles applied in a consistent manner throughout the preceding years.

Thorne Ernst & Whitney

April 18, 1988

## GOLDMARK MINERALS LTD.

## CONSOLIDATED BALANCE SHEET

	December 31	
	1987	1986
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and term deposits	\$ 16,732	\$ 51,318
Accounts receivable	5,877	14,739
Prepaid expenses	1,267	550
Share subscription receivable	<u>122,000</u>	-
	<u>145,876</u>	<u>66,607</u>
<b>SHAREHOLDER LOANS (note 2)</b>	-	72,000
<b>PROPERTY AND EQUIPMENT (note 1)</b>	<u>286,496</u>	<u>229,472</u>
	<u><u>\$432,372</u></u>	<u><u>\$368,079</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 32,025	\$ 7,053
Due to related party (note 5)	19,050	-
Due to joint venture partners	1,978	4,985
	<u>53,053</u>	<u>12,038</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 2)	995,580	890,277
Contributed surplus (note 2)	-	43,036
Deficit (note 3)	<u>(616,261)</u>	<u>(577,272)</u>
	<u><u>379,319</u></u>	<u><u>356,041</u></u>
	<u><u>\$432,372</u></u>	<u><u>\$368,079</u></u>

APPROVED BY THE BOARD:

W. Seckel Director  
J. P. Director

## GOLDMARK MINERALS LTD.

## CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 1987

	Year ended December 31	
	1987	1986
<b>STATEMENT OF OPERATIONS</b>		
<b>Revenue</b>		
Management fees	\$ 24,521	\$ 1,011
Equipment rentals	11,604	33,770
Contract drilling	9,075	-
Interest	533	5,671
	<b>45,733</b>	<b>40,452</b>
<b>Expenses</b>		
General and administrative	32,220	8,407
Operating	16,141	15,387
Depreciation, depletion and amortization	24,093	32,066
	<b>72,454</b>	<b>55,860</b>
<b>Loss before the undernoted</b>	<b>26,721</b>	<b>15,408</b>
<b>Gain on sale of property and equipment</b>	<b>-</b>	<b>(2,905)</b>
<b>LOSS FOR THE YEAR</b>	<b>26,721</b>	<b>12,503</b>
<b>Deficit at beginning of year</b>	<b>577,272</b>	<b>564,769</b>
<b>Repurchase and cancellation of shares (note 2)</b>	<b>12,268</b>	<b>-</b>
<b>DEFICIT AT END OF YEAR</b>	<b>\$616,261</b>	<b>\$577,272</b>
<b>EARNINGS (LOSS) PER SHARE</b>	<b>\$(0.01)</b>	<b>\$ 0.00</b>

## GOLDMARK MINERALS LTD.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31  
1987 1986

## CASH PROVIDED BY (USED FOR):

## OPERATIONS

Loss for the year	\$ (26,721)	\$ (12,503)
Items not involving cash		
Depreciation, depletion and amortization	24,093	32,066
Gain on sale of equipment	-	(2,905)
Reduction of allowance for doubtful accounts	-	(13,500)
	<u>(2,628)</u>	<u>3,158</u>
Change in non-cash operating working capital	<u>49,160</u>	<u>(25,862)</u>
	<u><u>46,532</u></u>	<u><u>(22,704)</u></u>

## FINANCING ACTIVITY

Issue of capital stock	122,000	-
Share subscription receivable	<u>(122,000)</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

## INVESTING ACTIVITIES

Deferred development costs	(82,342)	(1,290)
Gold sales, net of operating costs	1,224	-
Proceeds on sale of property and equipment	-	3,825
Repayment of shareholder loans	-	2,785
	<u>(81,118)</u>	<u>5,320</u>

## DECREASE IN CASH POSITION

Cash position at beginning of year	(34,586)	(17,384)
	<u>51,318</u>	<u>68,702</u>
CASH POSITION AT END OF YEAR	<u><u>\$ 16,732</u></u>	<u><u>\$ 51,318</u></u>
	<u><u>      </u></u>	<u><u>      </u></u>

GOLDMARK MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1987

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Goldmark Minerals Ltd. and its wholly-owned subsidiary company 372571 Alberta Ltd.

Mineral Properties

All costs of mineral leases and claims including exploration and development expenditures related to such properties are capitalized, as incurred, by area of interest. The ultimate recovery of these expenditures is dependent on discovering commercially viable reserves. Depletion and amortization of such expenditures is provided on the unit-of-production method at such time as, and if, commercial production commences from an area of interest.

Funds generated from mineral production prior to the commencement of commercial production are deducted from expenditures incurred on the properties in the development period.

Net costs accumulated on abandoned or surrendered mineral leases and claims are charged to earnings at such time as the properties are deemed to be uneconomic.

Equipment

Mining and other equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated economic lives of the equipment which range from two to ten years.

Joint Venture Operations

All of the Company's exploration and development activities are conducted jointly with others and accordingly, the accounts reflect only the Company's proportionate interest in such activities.

GOLDMARK MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. PROPERTY AND EQUIPMENT

		1987	1986
		Accumulated depreciation, depletion and amortization	
	Cost	amortization	Net
Mineral leases and claims	\$ 208	\$ 12	\$ 196
Deferred expenditures	<u>257,341</u>	<u>31,210</u>	<u>226,131</u>
	<u>257,549</u>	<u>31,222</u>	<u>226,327</u>
Mining equipment	697,116	681,500	15,616
Other equipment	<u>174,660</u>	<u>130,107</u>	<u>44,553</u>
	<u>\$1,129,325</u>	<u>\$842,829</u>	<u>\$286,496</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>
			\$229,472
		<u>=====</u>	<u>=====</u>

2. CAPITAL STOCK

(a) Authorized

The authorized capital stock of the Company consists of:

10,000,000 First preference shares with a par value  
of \$10 each, issuable in series  
10,000,000 Second preference shares with a par value  
of \$10 each, issuable in series  
30,000,000 Common shares without nominal or par value

(b) Issued and to be issued

Changes in common shares outstanding during the year were as follows:

	Shares	Amount
December 31, 1986	5,119,006	\$890,277
Cancelled (i)	(96,000)	(16,697)
To be issued for cash (ii)	<u>455,224</u>	<u>122,000</u>
December 31, 1987	<u>5,478,230</u>	<u>\$995,580</u>
	<u>=====</u>	<u>=====</u>

GOLDMARK MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. CAPITAL STOCK (Continued)

(b) Issued and to be issued (continued)

- (i) During the year the Company agreed to repurchase and cancel 96,000 shares as repayment of the shareholder loans outstanding in the amount of \$72,000, previously made to employees of the Company (two of whom are officers and directors) pursuant to Stock Purchase and Loan Agreements. Accordingly, capital stock has been reduced by the average per share amount, contributed surplus has been eliminated and the excess has been allocated to retained earnings.
- (ii) The Company has agreed to issue 455,224 common shares in accordance with certain provisions of the Income Tax Act (Canada) in exchange for \$122,000 of Canadian exploration expenses. On March 1, 1988, a further 11,194 shares were issued for additional Canadian exploration expenses of \$3,000.

(c) Shares Reserved

- (i) At December 31, 1987, 309,000 common share options had been granted under Director and Employee Option Agreements. The options are exercisable at \$0.25 per share to February 28, 1989.
- (ii) On March 1, 1988 the Company issued common share purchase warrants entitling the holders to acquire 233,309 common shares at a price of \$0.45 per share to September 16, 1988.

3. DEFICIT

In April, 1985, by resolution of the shareholders, the Company's deficit at December 31, 1984 was eliminated by a reduction of \$2,172,681 in the stated value of the Company's issued common shares.

4. INCOME TAXES

At December 31, 1987, the Company has unclaimed exploration, development and capital costs and income tax losses carried forward in excess of the net book value of property and equipment and the recorded deficit, available to reduce future income otherwise taxable, aggregating \$1,750,000. The income tax losses of \$220,000 expire from time to time to 1994. The potential tax benefit relating to these amounts is not recognized in the financial statements.

5. RELATED PARTY TRANSACTION

The Company paid \$29,539 in 1987 for equipment lease and labor costs to a company owned by an officer.

